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Tactical Skills Workshop:

Elements of Consumer Credit Risk Analysis

Register now

Thursday, 26 June 2025

4:00PM Beijing/Singapore | 3:00PM Jakarta

12:00PM Dubai | 10:00AM CET



Virtual Workshop

Moderator:

Urs Bolt

The Banking Academy



Christo Georgiev

*CEO and Founder,
LenderLink*



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Opening Remarks



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 **THE FUTURE OF FINANCE CHINA**
BEIJING / 26 JUNE 2025

26 Jun 2025
Beijing, China



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ACADEMY

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8 - 12 September 2025 | Shanghai, Hangzhou & Shenzhen


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Today's speaker



Christo Georgiev, CEO and Founder, LenderLink

Christo Georgiev is a fintech leader with over a decade of experience driving growth and innovation across Southeast Asia. He is the founder and CEO of LenderLink, a company focused on advancing credit and lending technologies. Prior to this, he served as Group COO and Country Manager (Philippines) at FinScore, where he led the company to 100% annual revenue growth and built partnerships with over 30 top financial institutions.

At FinScore, Christo played a key role in scaling alternative credit scoring using millions of data points monthly, helping expand financial access for the underbanked. He also co-led the successful \$5.9M fundraising and acquisition by CTOS Digital in 2023, remaining through the transition before founding LenderLink in 2024.

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Navigating Credit Scoring: Traditional to Alternative Approaches

This presentation will explore the evolution of credit scoring, from conventional models to the integration of alternative data. We will cover key concepts, data handling techniques, machine learning applications, and the growing importance of alternative data in assessing creditworthiness, especially in underserved markets.

Understanding Traditional Credit Scoring

Credit Score Basics

A credit score is a three-digit number reflecting creditworthiness.

Lower scores = higher credit risk
Higher scores = responsible borrowing

Conventional systems have evolved over six decades, with FICO (1989) and VantageScore (2006) being the primary models.

Both FICO and VantageScore use a 300-850 point scale, updated to provide nuanced perspectives on an individual's creditworthiness.

FICO Model Focus

FICO primarily considers an individual's credit and payment history. Banks often use FICO for auto loans and credit cards. Payment history, including timeliness and recency of late payments, significantly impacts the score, with effects diminishing over seven years.

FICO Score Ranges:

- Exceptional: 800-850
- Very Good: 740-799
- Good: 670-739
- Fair: 580-669
- Poor: 300-579

VantageScore Model Focus

VantageScore also considers payment history, but credit card balances and credit utilization ratio are most influential. Depth of credit, including the age of accounts (average, oldest, youngest), also plays a role. Older accounts provide a longer view of financial management.

VantageScore Ranges:

- Exceptional: 781-850
- Good: 661-780
- Fair: 601-660
- Poor: 500-660
- Very Poor: 300-499

Focus Market: Philippines



Traditional Data Sources

In the Philippines, traditional credit scoring relies on:

- payment history (35%)
- credit utilization ratio (30%),
- credit types used (10%),
- new credit applications, and
- length of credit history (15%).

These factors reflect a borrower's ability to make timely repayments and manage various forms of credit responsibly.



Credit Bureau's

TransUnion Philippines provides credit reports with personal details and account history.

CIBI, co-developed with FICO, offers proprietary models for the banked population, assessing loan exposure and payment trends.

The BSP encourages financial institutions to explore alternative data sources (FinScore, LenderLink)



PH vs Global

Credit scoring is established in developed markets (US, UK, AU) for various use cases:

- Lending
- Background checks
- Tenancy agreements
- VISA issuing
- Supplier/Vendor accreditation

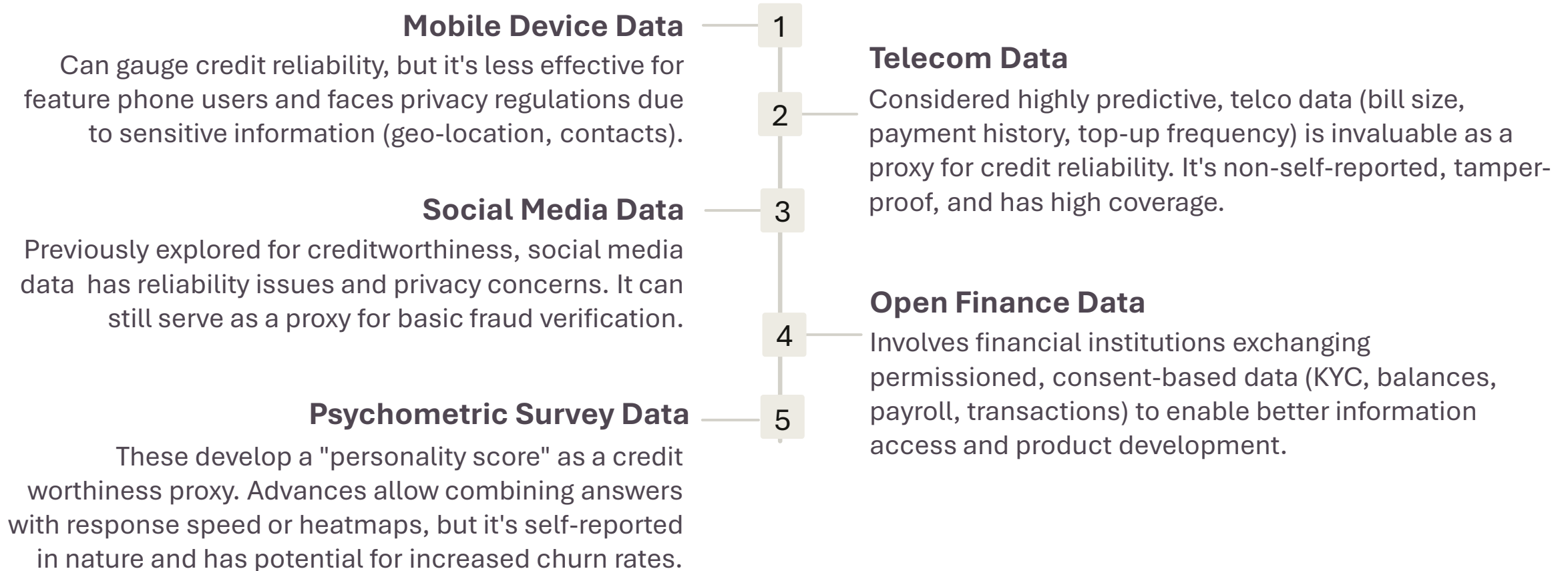
Developing markets such as PH are still in the early-stages of the adoption curve on both institutional & consumer level

Alternative data vs Traditional Data

Why Alternative Data?

In developing markets like the Philippines, over 70% of the population lacks access to traditional financial reputation building. This "chicken or egg problem" makes it difficult for institutions to extend basic services. **Alternative data** becomes the only option for financial inclusion.

Alternative Credit Scoring



Advantages and Challenges of Alternative Data

ADVANTAGES

- **Up-to-date data:** Provides real-time views of financial state, unlike monthly credit score refreshes.
- **Added Convenience:** Integration simplifies access. Open Finance allows borrowers to log in for instant data access, and Telco scoring offers dynamic insights.
- **Greater Coverage & 360-Degree Insights:** Offers a more complete financial picture, finding new risk factors. Crucial for unbanked populations.
- **Ongoing Access:** Real-time availability and accuracy enable more frequent and cost-effective updates.

CHALLENGES

- **Data Quality & Reliability:** Alternative data can have short-term fluctuations, performing better at cohort levels than individual accounts. Providers must guide institutions on these facets.
- **Privacy & Security Concerns:** A newer practice with evolving regulatory frameworks. Key questions: data source, consent, and anonymization / encryption technologies.
- **Lack of Standardized Process:** Alternative data lacks a standard reporting format. Interpreting values (e.g., Telco score of 9 vs. Credit Bureau 7) and expected default rates requires "backtesting" or "retro" tests.

Integrating Alternative and Traditional Scores



Banks can run “**retro**” tests on historical borrowers to compare alternative scores with known defaults.



Enables “**uplift**” **analysis**: combining internal scores with alternative ones in a decision matrix.

CHALLENGES:

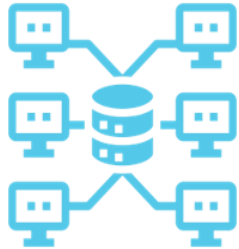


Lacks sufficient defaults (typically <1,000 bad accounts)



Without performance data, running retro analysis is **not feasible**, forcing a choice between speed and caution.

Adoption Options for Banks



Live Test Without Decisioning

- Request scores for 5,000+ live accounts
- Use results only for **post-maturity analysis**
- No immediate risk to portfolio or compliance posture



Use for Decisioning (with Expert Guidance)

- Lean on the provider's **recommended score cut-offs**
- Common in pilot programs or low-risk portfolios
- Helps banks **scale faster** with minimal internal lift



Wait for Sufficient Data

- Slowest but most conservative approach
- No cost, but **opportunity loss** from delayed market entry or restricted lending

BENEFITS OF COMBINING ALTERNATIVE & TRADITIONAL CREDIT SCORING

TRADITIONAL DATA



Age



Home Ownership



Income (low)



Employment: 1 month



ALTERNATIVE DATA



Time with telco
(4 years)



Device: Smart
Phone

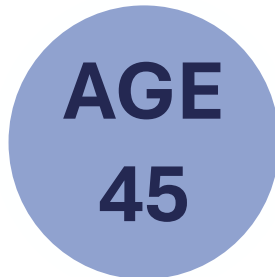


Location: Correct
Work and Home
City



BENEFITS OF COMBINING ALTERNATIVE & TRADITIONAL CREDIT SCORING

TRADITIONAL DATA



Age



Home
Ownership



Income (low)



Employment: 1 month

ALTERNATIVE DATA



Time with telco
(1 month)



Location
Mismatch



Contact Person
Mismatch



From Rules to Algorithms: Evolving Credit Scoring

AI & ML in Credit Risk

Machine learning allows banks to **enhance credit risk models** with richer, real-time data. It improves accuracy by identifying non-linear patterns and hidden signals that traditional scorecards may miss. This means:



better risk
differentiation



faster loan
approvals



smarter portfolio
management

However, adoption also comes with challenges. ML models must be **explainable, auditable, and compliant with regulatory standards**. Banks need to upgrade infrastructure, align teams, and establish governance frameworks to ensure responsible use.

Machine Learning isn't just a plug-in, it's a shift in how credit risk is understood and managed.

AI & ML in Credit Scoring

ML Algorithms:

- Use advanced statistical techniques and computing power to identify complex patterns in data,
- Enable more accurate credit scoring models,
- Learn from historical loan performance and customer behavior to continuously improve predictions, and
- Require minimal manual intervention.

Efficiency Gains

Traditional banks have historically relied on manual, rule-based underwriting systems, often taking 30–40 days to close a mortgage loan.

With ML integration, institutions can:

- automate risk assessments,
- reduce processing time, and
- support underwriters with data-driven insights.

FinTech Impact

FinTech players use ML and automation to process loans roughly 3x-5x faster than traditional banks. To stay competitive, banks can modernize existing systems by embedding predictive analytics into their credit workflows—allowing for quicker decisions, lower default rates, and improved customer experience without overhauling the entire tech stack.

Statistical Models vs. Rule-Based Assessments

STATISTICAL MODEL

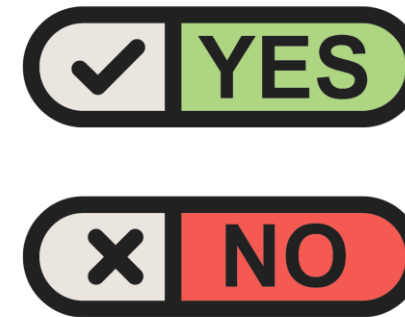
Identifies patterns and predicts risks through data-driven analysis, machine-learning, and predictability.



Can capture complex relationships and continuously learn from new data.

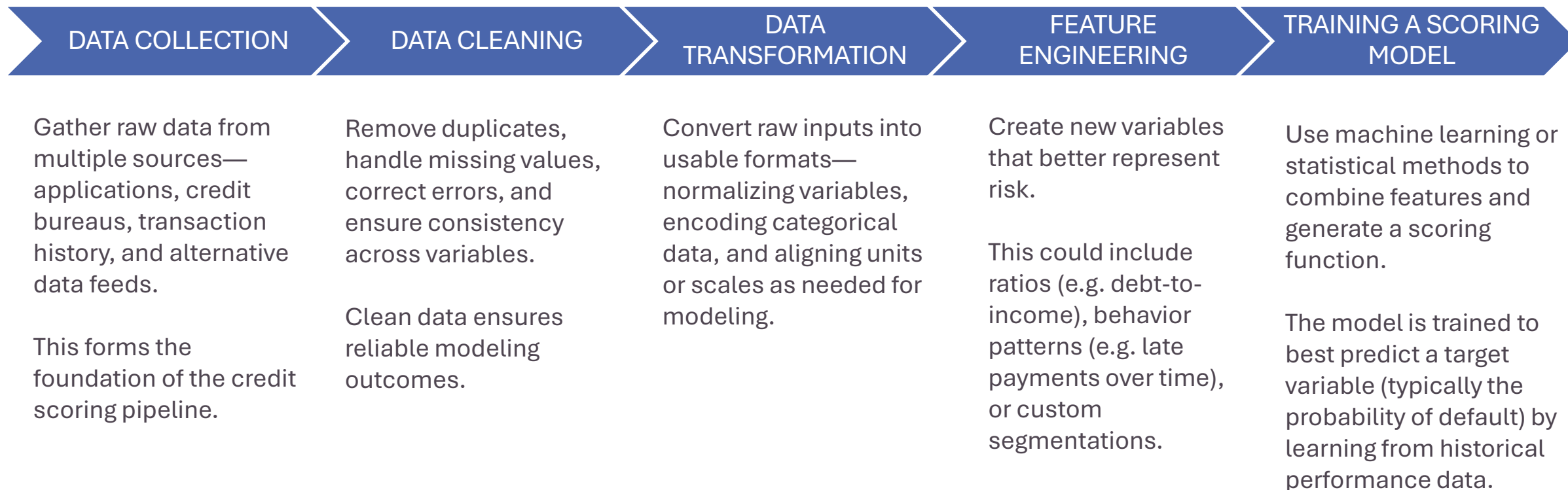
RULE-BASED SYSTEMS

Evaluates risks based on pre-defined rules set by experts or regulators.



May struggle with novel scenarios not explicitly covered by the predefined rules.

Building Blocks – From Data to Score



AI and LLM in Credit Scoring

AI and LLMs in Consumer Credit

Large language models (LLMs) are starting to influence consumer credit operations.

These AI systems can process unstructured data such as income documents, emails, and call logs, offering **deeper insights into borrower behavior and risk**.

They also:

- automate workflows,
- enhance fraud detection, and
- support customer engagement.



For banks, the impact is twofold: **improved decision quality and operational efficiency**. But responsible use is essential.

Bias mitigation, transparency, and regulatory alignment will define how far and how fast LLMs can be embedded in lending processes.

As the tech evolves, its role in real-time, data-rich credit decisions will only grow.

Importance of Model Interpretability

Regulatory Compliance

Ensures fairness and prevents discrimination, allowing regulators to understand credit decisions and verify compliance with acts like FCRA or GDPR.

Model Validation

Facilitates assessment of performance, bias detection, and ensures reliability and fairness, meeting regulatory standards and business objectives.



Risk Management

Helps identify factors driving credit decisions and potential risks, enabling proactive management and optimization of credit policies.

Model Transparency

Builds trust with borrowers, investors, and regulators. Borrowers understand decisions and can improve credit profiles, fostering accountability.

Consumer Empowerment

Provides insights into credit assessment, enabling informed financial decisions and promoting financial literacy.

Zoom-In Use Case: AI Agents for Credit Decisions

Feature	Manual Rule-Based	Credit Decision Engine (CDE)	AI Agent for Credit Decisions
Core Approach	Human applies checklist or policy manually	Automated execution of pre-coded rules & scorecards	Autonomous reasoning using ML, LLMs, and real-time context
Tech Stack	Excel, PDFs, internal docs	Rules engine (e.g., Blaze, PowerCurve)	AI/ML stack + APIs + embeddings + orchestration layer
Data Inputs	Structured data, limited narrative	Structured data (KYC, bureau, income)	Structured + unstructured (e.g., SMS, behavior, alt-data)
Personalization	High – human judgment	Medium – segmentation-based	High – real-time profile & adaptive logic
Explainability	Very High – written notes, SOPs	High – auditable rules	Medium – needs model interpretability tools (e.g., SHAP, LIME)
Adaptability	Low – manual policy change	Low – rule updates required	High – retrains or adapts over time
Speed / Throughput	Slow – case-by-case	Fast – batch or real-time	Very fast – concurrent reasoning at scale
Compliance Readiness	High – paper trail	High – with audit controls	Medium – needs compliance wrappers & logs
Best Use Cases	Low volume, judgment-heavy loans	Retail loans, scoring models, limits	Alt-data lending, thin-file segments, GenAI UX
Cost Efficiency	Low (labor-intensive)	Medium (automation ROI)	Medium to High (scalable, but higher setup cost)

Appendix

Case study: Credit data for Neo Bank

How a digital bank achieved a **15% reduction** in default rate:

MARKET:	Philippines
PRODUCT LINE:	Loan products
MONTHLY VOLUME:	70,000+ borrower requests
ROLE ON LENDERLINK:	Contributor & Consumer
INTEGRATION GO-LIVE:	January 2025

Challenge: They had to rely heavily on alternative data and internal risk models. They were unable to efficiently tag risky borrowers.

Solution: Secure, compliant API integration with LenderLink to contribute data and benefit from consuming it.



15% reduction in default rates within 3 months.



No slowdown in approvals; lending volume continues to grow despite tightening risk filters.



Increase in hit rates as LenderLink continues to onboard more data sources

Q&A

If you would like to ask a question, kindly:

#1 – Raise your hand

#2 Ask your question directly in the chatbox



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